



TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Dryden	County Lapeer
Audit Date June 30, 2005	Opinion Date September 23, 2005	Date Accountant Report Submitted to State: December 11, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell Kusterer Co. P.C.			

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 23, 2005

To the Township Board
Township of Dryden
Lapeer County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Dryden, Lapeer County, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Dryden's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Dryden, Lapeer County, Michigan as of June 30, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

The Management's Discussion and Analysis report of the Township of Dryden covers the Township's financial performance during the year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2005, totaled \$3,418,089.22. Of this total, \$1,103,537.23 represents capital assets net of depreciation.

Overall revenues were \$1,487,412.77.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Police Fund, Library Fund, Drug Enforcement Fund and the Revolving Improvement Fund.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

Governmental Fund Types – These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. These include the Fire Fund, Police Fund, Library Fund and Drug Enforcement Fund. Voters have approved millage rates for some of these funds to help carry out their operations.

Fiduciary Fund Types – These funds account for assets held by the Township as trustee or agent for individuals, private organization, and other units of government. These funds are as follows:

The Current Tax Collection Fund and Agency Fund: These funds are used to account for assets held as an agent or in trust for others.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Over the past year, the Township has contributed \$6 per person based on our population of 4,624 to help support the Lapeer County Ambulance Authority.

Dryden Township is in the fourth and last year of a major road improvement project throughout the Township. We contributed to the Lapeer County Road Commission \$140,000.00 for this project.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$210,327.26, fire protection, which incurred expenses of \$151,952.21, library incurring expenses of \$216,582.49. Fire protection, police protection and library cultural are supported mainly by special millage that is voter approved.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At the end of FY 2004-2005, the Township had \$2,071,500.36 invested in capital assets, including buildings. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Lapeer County Road Commission (along with the responsibility to maintain them).

The Township of Dryden had no long-term debt activity during the fiscal year ended June 30, 2005.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The continued support of the ambulance authority will continue to impact the Township's resources. The Township Board also plans to invest in property for future growth. Because of the state reductions that affect local services, the Township needs to continue to watch its budget very closely.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investor's with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, 4849 Dryden Road, Dryden. Phone 810-796-2248.

DRYDEN TOWNSHIP BOARD

Tina M. Papineau, Supervisor
Bonnie J. Rumley, Clerk
Joyce S. Korson, Treasurer

Sally Haynes, Trustee
Geary Priehs, Trustee

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 689 277 84
Investments	640 124 89
Petty cash	<u>250 00</u>
Total Current Assets	<u>2 329 652 73</u>
NON-CURRENT ASSETS:	
Capital Assets	2 071 500 36
Less: Accumulated Depreciation	<u>(967 963 13)</u>
Total Non-current Assets	<u>1 103 537 23</u>
TOTAL ASSETS	<u><u>3 433 189 96</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>15 100 74</u>
Total Current Liabilities	<u>15 100 74</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 103 537 23
Unrestricted	<u>2 314 551 99</u>
Total Net Assets	<u>3 418 089 22</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3 433 189 96</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	82 448 21	-	(82 448 21)
General government	367 740 09	55 868 17	(311 871 92)
Public safety	586 533 80	-	(586 533 80)
Public works	210 452 26	-	(210 452 26)
Culture and recreation	199 742 29	-	(199 742 29)
Total Governmental Activities	<u>1 446 916 65</u>	<u>55 868 17</u>	<u>(1 391 048 48)</u>
General Revenues:			
Property taxes			1 045 498 92
State revenue sharing			263 569 69
Penal fines			22 131 74
Interest			46 838 42
Miscellaneous			53 505 83
Total General Revenues			<u>1 431 544 60</u>
Change in net assets			40 496 12
Net assets, beginning of year			<u>3 377 593 10</u>
Net Assets, End of Year			<u>3 418 089 22</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2005

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>
Cash in bank	305 359 40	401 837 30	332 116 07	641 708 13
Investments	195 603 12	222 136 01	111 186 17	111 199 59
Petty cash	50 00	-	100 00	100 00
Due from other funds	<u>2 015 55</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>503 028 07</u></u>	<u><u>623 973 31</u></u>	<u><u>443 402 24</u></u>	<u><u>753 007 72</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>1 785 17</u>	<u>7 319 63</u>	<u>911 17</u>	<u>5 084 77</u>
Total liabilities	<u>1 785 17</u>	<u>7 319 63</u>	<u>911 17</u>	<u>5 084 77</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>501 242 90</u>	<u>616 653 68</u>	<u>442 491 07</u>	<u>747 922 95</u>
Total fund equity	<u>501 242 90</u>	<u>616 653 68</u>	<u>442 491 07</u>	<u>747 922 95</u>
Total Liabilities and Fund Equity	<u><u>503 028 07</u></u>	<u><u>623 973 31</u></u>	<u><u>443 402 24</u></u>	<u><u>753 007 72</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
6 241 39	1 687 262 29
-	640 124 89
-	250 00
-	<u>2 015 55</u>
<u>6 241 39</u>	<u>2 329 652 73</u>

<u>-</u>	<u>15 100 74</u>
<u>-</u>	<u>15 100 74</u>

<u>6 241 39</u>	<u>2 314 551 99</u>
<u>6 241 39</u>	<u>2 314 551 99</u>
<u>6 241 39</u>	<u>2 329 652 73</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 2 314 551 99

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	2 071 500 36
Accumulated depreciation	<u>(967 963 13)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 3 418 089 22

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

June 30, 2005

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>
Revenues:				
Property taxes	268 246 70	190 243 85	354 433 80	232 574 57
State revenue sharing	258 029 00	-	3 524 27	2 016 42
Charges for services - PTAF	55 868 17	-	-	-
Penal fines	-	-	-	22 131 74
Interest	14 755 75	10 522 76	6 950 08	14 585 44
Miscellaneous	18 454 27	2 303 90	25 615 99	4 790 67
Total revenues	<u>615 353 89</u>	<u>203 070 51</u>	<u>390 524 14</u>	<u>276 098 84</u>
Expenditures:				
Legislative:				
Township Board	82 448 21	-	-	-
General government:				
Supervisor	45 225 04	-	-	-
Elections	12 041 89	-	-	-
Attorney	26 591 25	-	-	-
Assessor	44 344 01	-	-	-
Clerk	67 697 58	-	-	-
Board of Review	2 166 79	-	-	-
Treasurer	65 127 21	-	-	-
Building and grounds	83 009 55	-	-	-
Cemetery	3 221 94	-	-	-
Public safety:				
Police protection	-	-	304 723 58	-
Fire protection	-	150 482 51	-	-
Ambulance	36 406 43	-	-	-
Planning Commission	6 203 75	-	-	-
Appeals Board	2 691 04	-	-	-
Public works:				
Highways and streets	210 327 26	-	-	-
Drains	125 00	-	-	-
Culture and recreation:				
Library	-	-	-	187 372 24
Capital outlay	4 823 00	1 469 70	41 839 30	29 210 25
Total expenditures	<u>692 449 95</u>	<u>151 952 21</u>	<u>346 562 88</u>	<u>216 582 49</u>
Excess (deficiency) of revenues over expenditures	<u>(77 096 06)</u>	<u>51 118 30</u>	<u>43 961 26</u>	<u>59 516 35</u>
Other financing sources (uses):				
Operating transfers in	62 133 83	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>62 133 83</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(14 962 23)</u>	<u>51 118 30</u>	<u>43 961 26</u>	<u>59 516 35</u>
Fund balances, July 1	<u>516 205 13</u>	<u>565 535 38</u>	<u>398 529 81</u>	<u>688 406 60</u>
Fund Balances, June 30	<u>501 242 90</u>	<u>616 653 68</u>	<u>442 491 07</u>	<u>747 922 95</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	1 045 498 92
-	263 569 69
-	55 868 17
-	22 131 74
24 39	46 838 42
<u>2 341 00</u>	<u>53 505 83</u>
<u>2 365 39</u>	<u>1 487 412 77</u>

-	82 448 21
-	45 225 04
-	12 041 89
-	26 591 25
-	44 344 01
-	67 697 58
-	2 166 79
-	65 127 21
-	83 009 55
-	3 221 94
546 45	305 270 03
-	150 482 51
-	36 406 43
-	6 203 75
-	2 691 04
-	210 327 26
-	125 00
-	187 372 24
-	<u>77 342 25</u>
<u>546 45</u>	<u>1 408 093 98</u>

<u>1 818 94</u>	<u>79 318 79</u>
-----------------	------------------

-	62 133 83
<u>(62 133 83)</u>	<u>(62 133 83)</u>
<u>(62 133 83)</u>	<u>-</u>

(60 314 89)	79 318 79
<u>66 556 28</u>	<u>2 235 233 20</u>
<u>6 241 39</u>	<u>2 314 551 99</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 79 318 79

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(116 164 92)
77 342 25

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

40 496 12

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Dryden, Lapeer County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Dryden. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was 4.5652 mills, and the taxable value was \$198,799,392.00.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	3-40 years
Furniture and equipment	3-40 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 706 234 91</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>1 589 801 97</u>
Total Deposits	<u>1 789 801 97</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Non-risk-Categorized: Financial Institution Pooled Funds				640 124 89
Total Investments				640 124 89

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
Land and improvements	73 337 04	-	-	73 337 04
Buildings and improvements	1 181 500 00	-	-	1 181 500 00
Equipment	739 321 07	77 342 25	-	816 663 32
Total	1 994 158 11	77 342 25	-	2 071 500 36
Accumulated Depreciation	(851 798 21)	(116 164 92)	-	(967 963 13)
Net Capital Assets	1 142 359 90	(38 822 67)	-	1 103 537 23

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 015 55	Current Tax Collection Agency	1 980 24 35 31
Total	2 015 55	Total	2 015 55

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended June 30, 2005, was \$40,547.04.

Note 7 – Deferred Compensation Plan

The Township of Dryden offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township of Dryden for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Local Unit of Government's financial statements.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Dryden does not issue building permits. Building permits are issued by the County of Lapeer.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	267 000 00	267 000 00	268 246 70	1 246 70
State revenue sharing	255 000 00	255 000 00	258 029 00	3 029 00
Charges for services – PTAF	42 000 00	42 000 00	55 868 17	13 868 17
Interest	9 000 00	9 000 00	14 755 75	5 755 75
Miscellaneous	16 200 00	23 400 00	18 454 27	(4 945 73)
Total revenues	589 200 00	596 400 00	615 353 89	18 953 89
Expenditures:				
Legislative:				
Township Board	101 310 00	101 310 00	82 448 21	(18 861 79)
General government:				
Supervisor	52 340 00	52 340 00	45 225 04	(7 114 96)
Elections	13 370 00	13 370 00	12 041 89	(1 328 11)
Attorney	18 000 00	31 350 00	26 591 25	(4 758 75)
Assessor	41 200 00	49 100 00	44 344 01	(4 755 99)
Clerk	69 350 00	69 350 00	67 697 58	(1 652 42)
Board of Review	3 150 00	3 150 00	2 166 79	(983 21)
Treasurer	67 362 00	67 362 00	65 127 21	(2 234 79)
Building and grounds	28 270 00	90 403 83	83 009 55	(7 394 28)
Cemetery	5 000 00	5 000 00	3 221 94	(1 778 06)
Public safety:				
Ambulance	33 000 00	35 000 00	36 406 43	1 406 43
Protective inspection	1 400 00	1 400 00	-	(1 400 00)
Planning Commission	21 400 00	21 400 00	6 203 75	(15 196 25)
Appeals Board	5 510 00	5 510 00	2 691 04	(2 818 96)
Public works:				
Highways and streets	224 472 00	224 472 00	210 327 26	(14 144 74)
Drains	1 100 00	1 100 00	125 00	(975 00)
Capital outlay	10 000 00	10 000 00	4 823 00	(5 177 00)
Total expenditures	696 234 00	781 617 83	692 449 95	(89 167 88)
Excess (deficiency) of revenues over expenditures	(107 034 00)	(185 217 83)	(77 096 06)	108 121 77
Other financing sources (uses):				
Operating transfers in	-	68 333 83	62 133 83	(6 200 00)
Operating transfers out	-	(8 000 00)	-	8 000 00
Total other financing sources (uses)	-	60 333 83	62 133 83	1 800 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(107 034 00)	(124 884 00)	(14 962 23)	109 921 77
Fund balance, July 1	107 034 00	124 884 00	516 205 13	391 321 13
Fund Balance, June 30	-	-	501 242 90	501 242 90

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	189 922 00	189 922 00	190 243 85	321 85
Interest	4 000 00	4 000 00	10 522 76	6 522 76
Miscellaneous	<u>3 500 00</u>	<u>3 500 00</u>	<u>2 303 90</u>	<u>(1 196 10)</u>
Total revenues	<u>197 422 00</u>	<u>197 422 00</u>	<u>203 070 51</u>	<u>5 648 51</u>
Expenditures:				
Public safety:				
Fire protection	166 950 00	166 950 00	150 482 51	(16 467 49)
Capital outlay	<u>160 472 00</u>	<u>160 472 00</u>	<u>1 469 70</u>	<u>(159 002 30)</u>
Total expenditures	<u>327 422 00</u>	<u>327 422 00</u>	<u>151 952 21</u>	<u>(175 469 79)</u>
Excess (deficiency) of revenues over expenditures	(130 000 00)	(130 000 00)	51 118 30	181 118 30
Fund balance, July 1	<u>130 000 00</u>	<u>130 000 00</u>	<u>565 535 38</u>	<u>435 535 38</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>616 653 68</u>	<u>616 653 68</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – POLICE FUND
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	354 325 00	354 325 00	354 433 80	108 80
State revenue sharing	4 000 00	4 000 00	3 524 27	(475 73)
Interest	2 100 00	2 100 00	6 950 08	4 850 08
Miscellaneous	<u>8 512 00</u>	<u>24 182 00</u>	<u>25 615 99</u>	<u>1 433 99</u>
Total revenues	<u>368 937 00</u>	<u>384 607 00</u>	<u>390 524 14</u>	<u>5 917 14</u>
Expenditures:				
Public safety:				
Police protection	325 254 00	325 254 00	304 723 58	(20 530 42)
Capital outlay	<u>8 250 00</u>	<u>52 989 00</u>	<u>41 839 30</u>	<u>(11 149 70)</u>
Total expenditures	<u>333 504 00</u>	<u>378 243 00</u>	<u>346 562 88</u>	<u>(31 680 12)</u>
Excess of revenues over expenditures	35 433 00	6 364 00	43 961 26	37 597 26
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>398 529 81</u>	<u>398 529 81</u>
Fund Balance, June 30	<u><u>35 433 00</u></u>	<u><u>6 364 00</u></u>	<u><u>442 491 07</u></u>	<u><u>436 127 07</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE -LIBRARY FUND
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	225 000 00	225 000 00	232 574 57	7 574 57
State revenue sharing	2 000 00	2 000 00	2 016 42	16 42
Penal fines	20 000 00	20 000 00	22 131 74	2 131 74
Interest	6 000 00	6 000 00	14 585 44	8 585 44
Miscellaneous	4 200 00	4 200 00	4 790 67	590 67
Total revenues	<u>257 200 00</u>	<u>257 200 00</u>	<u>276 098 84</u>	<u>18 898 84</u>
Expenditures:				
Culture and recreation:				
Library	216 472 00	216 472 00	187 372 24	(29 099 76)
Capital outlay	40 728 00	40 728 00	29 210 25	(11 517 75)
Total expenditures	<u>257 200 00</u>	<u>257 200 00</u>	<u>216 582 49</u>	<u>(40 617 51)</u>
Excess of revenues over expenditures	-	-	59 516 35	59 516 35
Fund balance, July 1	-	-	688 406 60	688 406 60
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>747 922 95</u>	<u>747 922 95</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
June 30, 2005

	<u>Drug Enforcement</u>	<u>Fire</u>	<u>Police</u>	<u>Revolving Improvement</u>
<u>Assets</u>				
Cash in bank	6 241 39	401 837 30	332 116 07	-
Investments	-	222 136 01	111 186 17	-
Petty cash	-	-	100 00	-
Total Assets	<u>6 241 39</u>	<u>623 973 31</u>	<u>443 402 24</u>	<u>-</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	7 319 63	911 17	-
Total liabilities	-	7 319 63	911 17	-
Fund balances:				
Unreserved:				
Undesignated	6 241 39	616 653 68	442 491 07	-
Total fund balances	6 241 39	616 653 68	442 491 07	-
Total Liabilities and Fund Balances	<u>6 241 39</u>	<u>623 973 31</u>	<u>443 402 24</u>	<u>-</u>

<u>Library</u>	<u>Total</u>
641 708 13	1 381 902 89
111 199 59	444 521 77
<u>100 00</u>	<u>200 00</u>
<u>753 007 72</u>	<u>1 826 624 66</u>

<u>5 084 77</u>	<u>13 315 57</u>
<u>5 084 77</u>	<u>13 315 57</u>

<u>747 922 95</u>	<u>1 813 309 09</u>
<u>747 922 95</u>	<u>1 813 309 09</u>
<u>753 007 72</u>	<u>1 826 624 66</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended June 30, 2005

	<u>Drug Enforcement</u>	<u>Fire</u>	<u>Police</u>	<u>Revolving Improvement</u>
Revenues:				
Property taxes	-	190 243 85	354 433 80	-
State revenue sharing	-	-	3 524 27	-
Penal fines	-	-	-	-
Interest	24 39	10 522 76	6 950 08	-
Miscellaneous	<u>2 341 00</u>	<u>2 303 90</u>	<u>25 615 99</u>	<u>-</u>
Total revenues	<u>2 365 39</u>	<u>203 070 51</u>	<u>390 524 14</u>	<u>-</u>
Expenditures:				
Public safety:				
Police protection	546 45	-	304 723 58	-
Fire protection	-	150 482 51	-	-
Culture and recreation:				
Library	-	-	-	-
Capital outlay	<u>-</u>	<u>1 469 70</u>	<u>41 839 30</u>	<u>-</u>
Total expenditures	<u>546 45</u>	<u>151 952 21</u>	<u>346 562 88</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1 818 94</u>	<u>51 118 30</u>	<u>43 961 26</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62 133 83)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62 133 83)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1 818 94	51 118 30	43 961 26	(62 133 83)
Fund balances, July 1	<u>4 422 45</u>	<u>565 535 38</u>	<u>398 529 81</u>	<u>62 133 83</u>
Fund Balances, June 30	<u><u>6 241 39</u></u>	<u><u>616 653 68</u></u>	<u><u>442 491 07</u></u>	<u><u>-</u></u>

<u>Library</u>	<u>Total</u>
232 574 57	777 252 22
2 016 42	5 540 69
22 131 74	22 131 74
14 585 44	32 082 67
<u>4 790 67</u>	<u>35 051 56</u>
<u>276 098 84</u>	<u>872 058 88</u>
-	305 270 03
-	150 482 51
187 372 24	187 372 24
<u>29 210 25</u>	<u>72 519 25</u>
<u>216 582 49</u>	<u>715 644 03</u>
<u>59 516 35</u>	<u>156 414 85</u>
<u>-</u>	<u>(62 133 83)</u>
<u>-</u>	<u>(62 133 83)</u>
59 516 35	94 281 02
<u>688 406 60</u>	<u>1 719 028 07</u>
<u>747 922 95</u>	<u>1 813 309 09</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2005

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>402 55</u>	<u>4 640 799 22</u>	<u>4 639 178 96</u>	<u>2 022 81</u>
<u>Liabilities</u>				
Due to other funds	402 55	860 006 39	858 428 70	1 980 24
Due to others	<u>-</u>	<u>3 780 792 83</u>	<u>3 780 750 26</u>	<u>42 57</u>
Total Liabilities	<u>402 55</u>	<u>4 640 799 22</u>	<u>4 639 178 96</u>	<u>2 022 81</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>12 593 59</u>	<u>84 138 24</u>	<u>79 782 02</u>	<u>16 949 81</u>
<u>Liabilities</u>				
Deposits payable	12 577 00	14 075 00	9 737 50	16 914 50
Due to other funds	<u>16 59</u>	<u>70 063 24</u>	<u>70 044 52</u>	<u>35 31</u>
Total Liabilities	<u>12 593 59</u>	<u>84 138 24</u>	<u>79 782 02</u>	<u>16 949 81</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>12 996 14</u>	<u>4 724 937 46</u>	<u>4 718 960 98</u>	<u>18 972 62</u>
<u>Liabilities</u>				
Deposits payable	12 577 00	14 075 00	9 737 50	16 914 50
Due to other funds	419 14	930 069 63	928 473 22	2 015 55
Due to others	<u>-</u>	<u>3 780 792 83</u>	<u>3 780 750 26</u>	<u>42 57</u>
Total Liabilities	<u>12 996 14</u>	<u>4 724 937 46</u>	<u>4 718 960 98</u>	<u>18 972 62</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2005

Township Board:	
Salaries	13 623 00
Payroll taxes	341 36
Fringe benefits	4 578 25
Office supplies	11 114 19
Contracted services	8 103 85
Cleanup	2 228 75
Recycle	2 203 05
Audit	5 200 00
Memberships and dues	4 563 72
Telephone	3 365 41
Printing and publishing	1 269 90
Insurance	22 498 00
Miscellaneous	3 358 73
	<u>82 448 21</u>
Supervisor:	
Salary	28 800 00
Salary – deputy	210 00
Payroll taxes	2 597 17
Fringe benefits	7 615 00
Insurance	5 110 20
Miscellaneous	892 67
	<u>45 225 04</u>
Elections:	
Wages	6 193 08
Office supplies	3 699 97
Miscellaneous	2 148 84
	<u>12 041 89</u>
Attorney	
	<u>26 591 25</u>
Assessor:	
Office supplies	1 346 48
Contracted services	42 997 53
	<u>44 344 01</u>
Clerk:	
Salary	33 957 00
Salary – deputy	13 338 84
Payroll taxes	4 064 50
Fringe benefits	8 551 78
Insurance	5 772 69
Education	1 643 28
Miscellaneous	369 49
	<u>67 697 58</u>
Board of Review:	
Wages	1 737 00
Payroll taxes	25 16
Fringe benefits	65 11
Miscellaneous	339 52
	<u>2 166 79</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2005

Treasurer:	
Salary	30 267 00
Salary – deputy	11 964 24
Payroll taxes	3 624 26
Insurance	5 145 39
Fringe benefits	7 629 22
Office supplies	3 494 75
Travel	337 92
Miscellaneous	<u>2 664 43</u>
	<u>65 127 21</u>
Building and grounds:	
Wages	3 276 00
Payroll taxes	47 34
Fringe benefits	122 74
Operating supplies	663 53
Contracted services	5 397 00
Utilities	4 904 38
Maintenance	<u>68 598 56</u>
	<u>83 009 55</u>
Cemetery	<u>3 221 94</u>
Ambulance	<u>36 406 43</u>
Planning Commission:	
Wages	2 065 00
Payroll taxes	34 80
Fringe benefits	67 35
Contracted services	2 848 00
Miscellaneous	<u>1 188 60</u>
	<u>6 203 75</u>
Appeals Board:	
Wages	2 492 00
Payroll taxes	70 39
Miscellaneous	<u>128 65</u>
	<u>2 691 04</u>
Highways and streets:	
Repairs and maintenance	<u>210 327 26</u>
Drains	<u>125 00</u>
Capital outlay	<u>4 823 00</u>
Total Expenditures	<u><u>692 449 95</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FIRE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2005

Fire protection:

Salaries and wages	56 565 81
Payroll taxes	1 193 28
Fringe benefits	2 497 49
Office supplies	1 417 26
Operating supplies	31 291 81
Fire prevention	2 150 43
Repairs and maintenance	7 070 00
EMS	15 348 41
Memberships and dues	575 00
Physicals	455 88
Travel	3 071 63
Insurance	19 590 92
Utilities	8 673 37
Training	581 22
Capital outlay	<u>1 469 70</u>
Total Expenditures	<u><u>151 952 21</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

POLICE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2005

Police protection:	
Salaries and wages	191 992 10
Fringe benefits	18 053 34
Payroll taxes	10 393 68
Supplies	29 647 68
Repairs and maintenance	8 468 80
Telephone	1 683 32
Utilities	3 649 56
Insurance	37 590 56
Miscellaneous	3 244 54
Capital outlay	<u>41 839 30</u>
Total Expenditures	<u><u>346 562 88</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2005

Library:

Salaries and wages	75 593 87
Payroll taxes	4 872 78
Supplies	6 176 37
Repairs and maintenance	34 721 84
Memberships and dues	5 959 75
Contracted services	4 529 57
Travel	2 120 20
Insurance	3 291 25
Utilities	8 498 86
Audio visual	11 639 70
Books and periodicals	28 732 97
Miscellaneous	1 235 08
Capital outlay	<u>29 210 25</u>
Total Expenditures	<u><u>216 582 49</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 23, 2005

To the Township Board
Township of Dryden
Lapeer County, Michigan

We have audited the financial statements of the Township of Dryden for the year ended June 30, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Dryden in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Dryden
Lapeer County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2005.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants